

Message Text

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ACTION EB-08

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SUBJECT: JAPANESE REACTION TO TRIGGER PRICES

REF: STATE 1591

SUMMARY: PUBLIC REACTION ON PART OF GOJ AND JAPANESE STEEL
INDUSTRY TO TRIGGER PRICES IS ONE OF SOME RELIEF AT "REASON-
ABLE" LEVEL OF PRICES. PRIVATELY, INDUSTRY AND MITI SOURCES
REMAIN CONCERNED OVER IMPLEMENTATION OF SYSTEM AND POSSIBILITY
OF CONTINUED PRESSURE FOR MORE STRINGENT IMPORT TRADE
MEASURES THAT COULD FURTHER DIMINISH STEEL EXPORT MARKETS.
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JAPANESE WILL CONTINUE TO TAKE VERY LOW-PROFILE PUBLIC
STANCE ON THIS POINT, HOWEVER--THEY SEE THEMSELVES AS
HAVING THE MOST TO LOSE BY ANY DISTURBANCE OF THE TP
SYSTEM. END SUMMARY.

1. JAPANESE STEEL INDUSTRY REACTION TO THE ANNOUNCE-
MENT OF U.S. TRIGGER PRICES HAS MOSTLY BEEN CHARACTERIZED

BY A SENSE OF RELIEF AND CAUTIOUS OPTIMISM. PRESS REPORTS AS WELL AS DIRECT CONTACT WITH INDUSTRY REPS INDICATE THAT WHILE THERE IS SOME LINGERING CONCERN OVER THE CONSEQUENCES OF "CONTROLLED TRADE" IN STEEL (I.E., A LOSS OF EXPORT MARKETS), THE TRIGGER PRICES THEMSELVES ARE SEEN AS BEING LOWER THAN EXPECTED AND NOT SUCH AS TO SERIOUSLY IMPAIR JAPANESE STEEL EXPORTS TO THE U.S. INDUSTRY SOURCES WERE QUOTED AS SAYING THAT AN AVERAGE INCREASE OF ONLY \$10/MT WOULD BE NECESSARY TO MEET TRIGGER PRICES FOR SUCH PRODUCTS AS PLATES, COLD ROLLED SHEETS, AND COILS. THERE IS GENERAL AGREEMENT THAT JAPAN WILL HAVE TO COOPERATE AS MUCH AS POSSIBLE IN ENSURING THE SUCCESS OF THE TP SYSTEM, BUT ALSO DOUBT THAT SUCH MEASURES WILL PROVE STRONG ENOUGH TO SATISFY U.S. CRITICS. SOME STEEL INDUSTRY OFFICIALS (NOTABLY AT NIPPON STEEL) REMAIN CONCERNED THAT THE TRIGGER PRICES ARE TOO MODERATE, AND WILL ONLY ENSURE U.S. INDUSTRY/ CONGRESSIONAL PRESSURE FOR FURTHER, QUANTITATIVE RESTRAINT AGREEMENTS.

2. ACCORDING TO MITI IRON AND STEEL DIVDIR. IWASAKI, THE "REASONABLE" REACTION TO US TRIGGER PRICES IS IN ACCORD WITH MITI'S POSITION--THE GOJ HAS NO DESIRE TO PUT PRESSURE ON OUR TP SYSTEM. SPEAKING PERSONALLY, HOWEVER, IWASAKI DID EXPRESS MILD SUR- LIMITED OFFICIAL USE

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PRISE AT THE LEVEL OF THE TRIGGER PRICES, WHICH ARE SOME \$15 TO \$20 HIGHER THAN HE EXPECTED. HE FEARS THAT THESE PRICES COULD RESULT IN SHARPLY REDUCED EXPORTS TO THE U.S. EAST COAST AND MIDWEST; THIS AND THE HIGHER PRODUCTION COSTS OF LESS COMPETITIVE WEST COAST STEEL MAKERS MIGHT CAUSE A SIGNIFICANT INCREASE IN EXPORTS TO THAT AREA AND THUS EXACERBATE PROTECTIONIST PRESSURE. FOR THESE REASONS, AS WELL AS POSSIBLE U.S. INDUSTRY REACTION TO THE EC'S NEW STEEL PROGRAM (SEPTTEL), IWASAKI AGREES WITH INDUSTRY SPOKESMEN THAT THE USG MAY FIND IT NECESSARY TO IMPLEMENT ADDITIONAL, QUANTITATIVE IMPORT RESTRAINTS.

3. COMMENT: TONE OF GOJ/INDUSTRY REACTION TO TRIGGER PRICES DIFFERS LITTLE FROM STATEMENTS MADE AFTER RELEASE OF THE SOLOMON REPORT. PRIMARY CONCERN OF MITI AND BIG SIX MAKERS REMAINS THAT OF ENSURING SMOOTH IMPLEMENTATION OF STEEL TRADE AGREEMENTS IN ORDER TO PROTECT THEIR SHARE OF DIMINISHING EXPORT MARKETS IN NORTH AMERICA AND EUROPE. TRIGGER PRICES MAY WORRY THE JAPANESE, BUT THEY SEEM TO

LOOK UPON THIS "HALF LOGICAL, HALF POLITICAL
ARRANGEMENT" (IWASAKI) AS THEIR BEST HOPE FOR NOW,
AND ARE UNLIKELY TO TAKE PUBLIC POSITIONS THAT
WOULD APPEAR TO COMPROMISE IT.
SHERMAN

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